THE UNIVERSITY OF TEXA

DEPARTMENT OF EXTENSION

"The Department of Extension of the University of Texas established for the purpose of rendering service to the peopl the State generally, and especially to those who are unable to att the University. The work of this Department is carried on ur the following five Divisions:

PUBLIC DISCUSION DIVISION.

This Division has immediate charge of "The University In scholastic League." This is an organization of all the schools Texas for the purpose of promoting contests in debate, decla tion, and athletics. The University is desirous of aiding schools in the matter of training for citizenship; and also to teachers in developing, controlling, and standardizing athl activities in the schools.

This Division is also engaged in the preparation of refere lists and material on various subjects of general interest, and collection of small traveling libraries for loaning to citizens Texas upon application. Books and pamphlets thus loaned n be kept not longer than two weeks. The person to whom mate is loaned pays the carriage (postage or express) both ways. Ref ence lists, together with more or less material in the way of boo pamphlets, or bulletins, are now ready on the following subjec Commission Form of City Government; Compulsory Educati Educational Improvement and Social Reform; Initiative and R erendum; Municipal Ownership of Public Utilities; Old Age Ins ance; Penitentiary Refrom; Prohibition and the Liuor Proble Tariff and Free Raw Materials; and Woman Suffrage.

Clippings and miscellaneous material have also been collect on various other subjects. Correspondence is invited.

PUBLIC LECTURE DIVISION.

Provision has been made to allow members of the staff of instr tion to deliver public lectures in Texas towns, when asked to do About a hundred lectures in fifteen different lines of work are n available.

(CONTINUED ON INSIDE OF BACK COVER.)

252-713-2m-3467

BULLETIN

OF

THE UNIVERSITY OF TEXAS

NO. 284

FOUR TIMES A MONTH

EXTENSION SERIES 34 JUNE 22, 1913

PUBLIC DISCUSSION DIVISION
OF THE
DEPARTMENT OF EXTENSION

Intercollegiate Debates and Bibliographies

On

Old Age Insurance

And

Banking and Currency Reform

PUBLISHED BY THE UNIVERSITY OF TEXAS

AUSTIN, TEXAS

Entered as second-class mail matter at the postoffice at Austin, Texas

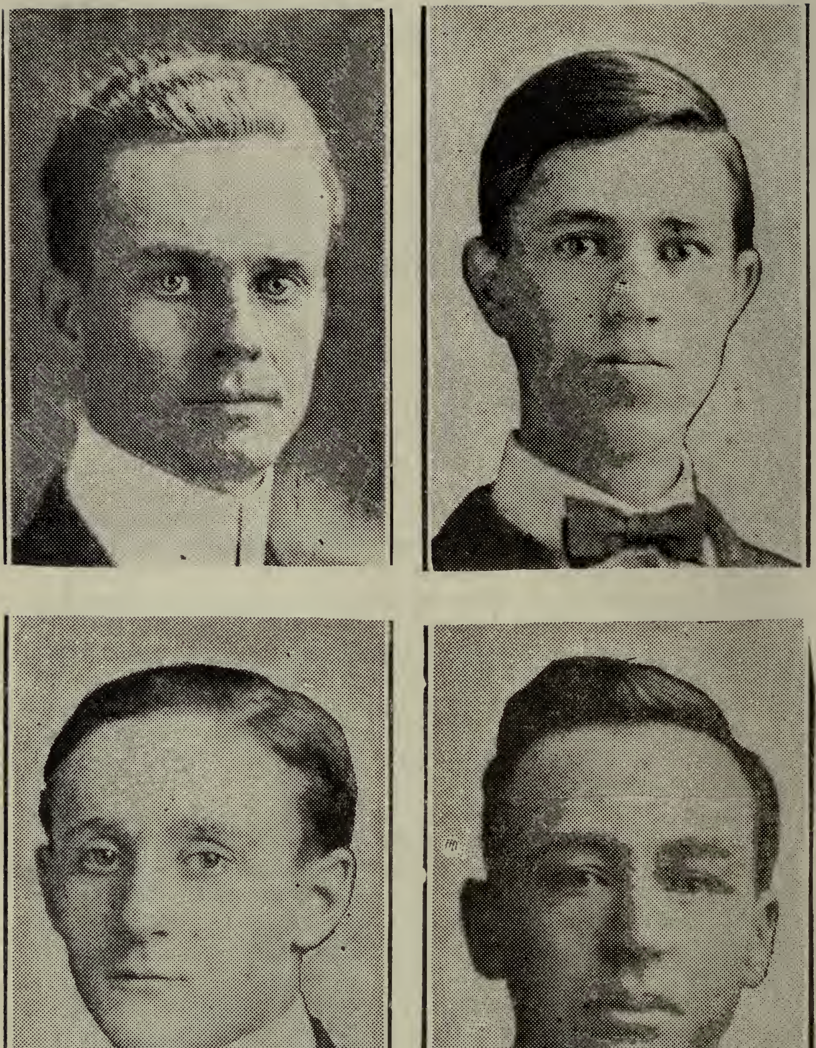
PREFACE.

This bulletin contains the affirmative and negative speeches of the University of Texas debating teams in the intercollegiate debates of 1913, together with bibliographies. The main speeches only are included, arranged in the order of affirmative-negative in each case.

The University of Texas is a member of two intercollegiate debating leagues: The Triangular Debating League, consisting of the State Universities of Colorado, Missouri, and Texas; and the Pentagonal League of Southern State Universities, consisting of the State Universities of Arkansas, Louisiana, Mississippi, Tennessee, and Texas. In the Triangular League the question for debate was, *Resolved, that a Policy of Compulsory Old Age Insurance should be adopted by the Federal Government, Constitutionality waived.* Mr. Eugene H. Cavin of Galveston and Mr. Douglas Tomlinson of Hillsboro supported the affirmative of this question in a debate with the University of Colorado, held at Austin on April 18, 1913, the negative winning by a vote of two to one. On the same date a Texas team consisting of Mr. Charles I. Francis of Denton and Mr. George W. Dupree of Clairette upheld the negative of the same question in a debate with the University of Missouri at Columbia, Missouri, the Texas team winning a unanimous decision in this debate.

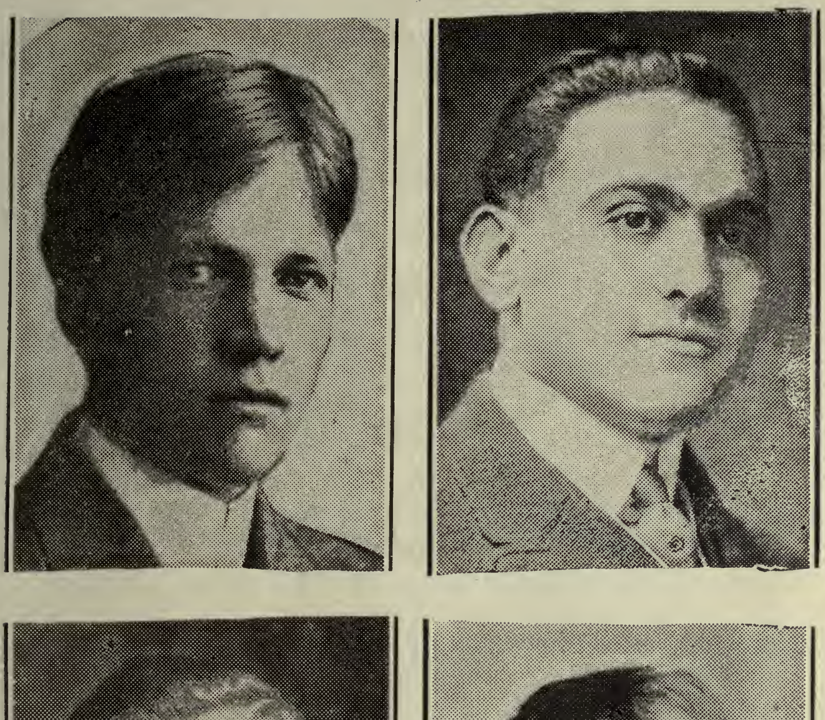
In the Pentagonal League series the question for debate was. *Resolved, that the Plan for a National Reserve Association as proposed by the United States Monetary Commission offers a desirable remedy for the defects of our present Banking and Currency Systems.* Mr. Theodore A. Gatchell of Austin and Mr. Sylvan Lang of San Antonio upheld the affirmative side of this question in a debate with the University of Mississippi at Austin, Texas, April 11, 1913. The Texas team won a unanimous decision. On the same date a team from the University of Texas, consisting of Mr. Winfree W. Meachum, Jr., of Anderson and Mr. Tom B. Ramey, Jr., of Tyler upheld the negative of the same question in a debate with the University of Tennessee at Knoxville, Tennesse. In this debate the affirmative side won the decision by a vote of two to one.

It is interesting to note that two of the members of the Texas team's were former district winners in the debates of the State Debating and Declamation League.



UNIVERSITY OF TEXAS INTERCOLLEGIATE DEBATING TEAMS, 1913.

In order from left to right, Texas-Colorado Debate: Eugene H. Cavin and Douglas Tomlinson. Texas-Missouri Debate: Charles I. Francis and George W. Dupree.



UNIVERSITY OF TEXAS INTERCOLLEGIATE DEBATING TEAMS, 1913.

In order from left to right. Texas-Mississippi Debate: Theodore A. Gatchell and Sylvan Lang. Texas-Tennessee Debate: Tom B. Ramey and Winfree W. Meachum, Jr.

COMPULSORY OLD AGE INSURANCE.

FIRST AFFIRMATIVE SPEECH.

BY EUGENE H. CAVIN, OF GALVESTON, TEXAS.

Mr. Chairman, Honorable Judges, Ladies and Gentlemen:

In offering the plan of old-age insurance which we of the affirmative advocate tonight, we offer a plan which England, after forty years of experiment with industrial insurance, has seen fit to follow as the best remedy for the relief of her old-age poor; a plan which has operated in Germany for half a century, and which has been found to work so successfully that this year the plan in Germany was extended three-fold; a plan which Denmark, which France, which every great civilized country in the world to-day, with the single exception of these United States, is successfully operating and constantly extending.

Briefly, the plan is this: Throughout the laborer's active life, a small monthly premium is to be paid for the support of old age. Of this small premium, the laborer pays a part, the employer pays a part, and the government pays a part. The money thus raised is to be used for supporting those who would otherwise be objects of charity in their old age.

In the discussion this evening, it is my purpose to present the needs of some plan for the relief of old age poverty in this country, and the intrinsic merits of the plan which we propose, while my colleague will describe the successful working of the plan in every great and civilized country in the world, except in these United States.

Year by year, as this country grows older, there is a gradual increase in the percentage of the old people in our population. The census of 1910 shows that from 1900 to 1910 the number of people in this country who had reached the age of 65 and over increased 869,000, or according to population, an increase of two-tenths per cent. A large number of this steadily increasing class are too poor to provide for themselves. This offers the steadily increasing problem of providing for them.

There are in this country 18,000,000 wage earners. There are 1,250,000 former wage earners who have reached the age of 65 in want, and are forced to depend upon public and private charity for support. Now, if everyone of these 1,250,000 old age dependents had a monthly income to take care of him, there would be no old age poverty. If we could give just such an income to every

old age dependent, it would certainly be desirable; if we could give this income at a very small cost, it would be more desirable; if we could give this income at no additional cost at all, it would certainly be most desirable. Let us see.

In an effort to take care of these 1,250,000 former wage earners who have reached the age of 65 and who are in want, the people of this country are spending annually in public and private charity, $220,000,000. Yet, although we are spending enough money to adequately care for our old-age poor, they are not adequately cared for. Why? Because of the lack of a systematic method for collecting and administering the money which is now being spent in a haphazard manner! Thus we see that this situation exists: We have 1,250,000 old age dependents. We spend enough money to provide for them. But they are not provided for. Why? Because we have no systematic method for collecting and administering the money which we are spending! Now, ladies and gentlemen, what is it that we propose to do? We simply take the 1,250,000 old age dependents we have. We then take the $220,000,000 we are spending. And what we propose to do is to provide a systematic method for collecting and administering this money instead of allowing it to be wasted in the present haphazard manner.

Can such a plan be worked? Let us see.

We have 18,000,000 wage earners. We are spending $220,000,000 to take care of the 1,250,000 wage earners who reach old age dependency. But we are spending this money under a very haphazard plan, the administration of which costs a wasteful per cent of the capital. But we propose to do this: Dividing this $220,000,000 by 18,000,000 wage earners, we find that $12 per wage earner must be raised per year. Dividing this $12 per year by 12, we find that $1 per wage earner must be raised per month. Dividing this $1 per month by three, that is, the part of the premium paid by the government, the employer, and the employee, we find that the monthly premium which must be paid in order to put our plan into successful operation is 33⅓ cents. Now, how about the cost of administration? Why even in Germany, the country against which the opponents of our plan complain most bitterly, the administration only costs 7¼ per cent. So we find that under our plan, the $220,000,000.00 necessary to support the aged poor, can be raised at the small cost of a premium of 33⅓ cents. Furthermore, under our plan, the administration of this money only costs 7¼ per cent, whereas, under the present plan the administration of this money costs many times as much. In other words, we simply replace chaos with system. Our

plan is not one cent of additional cost. We simply propose that the money we are now spending shall be collected and administered in a systematic manner, instead of the present haphazard manner, in order to save the waste of misdirected expenditure.

How much better is our plan than the present plan of individual saving! Under the present plan of individual saving, each laborer must provide all the money which will be needed to care for him in his old age. But only one out of every fourteen ever reaches the age of 65 years, and needs this annuity. Therefore, the present plan is costing the laborers as a class, fourteen times as much as is necessary. To illustrate: Suppose fourteen laborers are serving under the present plan to provide for old age dependency. Suppose, for example, $100 apiece will be needed to support those who reach old age dependency. Now we have seen that only one of these fourteen laborers reaches old age dependency. So, while these fourteen laborers must each save $100 apiece, making a total of $1400 which must be saved, yet only one of them reaches old age dependency, and, therefore, only $100 is needed to provide for old-age dependency of this class of fourteen. So we see that in providing for old age dependency under the plan of individual saving, for every $100 needed, $1400 must be raised. Therefore, under our plan, $1 of savings will go as far as $14 of savings will go under the present plan. Then, since our plan does everything that the present plan of individual saving could do, and only costs one-fourteenth as much, isn't our plan better than the present plan? But granting the merits of our plan, some have questioned the right of the government to make it compulsory. Ladies and gentlemen, the government itself is based upon the right of society to control individuals where the welfare of society demands it. Individuals are compelled to pay taxes. Why? Because the welfare of society demands it. Individuals should be compelled to pay the premium on an old-age insurance policy! Why? For the same reason that the payment of taxes is compulsory: *Because the welfare of society demands it!* Because the rights of the individual are subordinate to the rights of society!

But let us see if the compulsory feature we propose is as bad as its opponents would have it seem. Fearing compulsion because of the way it sounds, it opponents say: Let the plan be voluntary. But a voluntary plan could only succeed if the laborers would voluntarily take advantage of it. Then, if the laborers will voluntarily take advantage of the plan anyhow, we can do no possible harm by adding a clause which requires them to do so, because you do not affect a man when you require him to do that

which he will do anyhow. Suppose the law which requires men to wear clothes when they go out on the street were to be repealed! Yet surely we would all wear clothes voluntarily. Then suppose that the next day the law requiring men to wear clothes were to be reënacted! How much would that affect us? Not one jot! Why? Because it would simply require us to do that which we would do anyhow!

So, if our opponents attack this compulsory feature, they find themselves in this embarrassing predicament: If the voluntary plan will not succeed, then the system, if adopted at all, must be compulsory. On the other hand, if the voluntary plan will succeed, it must be universally adopted. If it will be universally adopted anyhow, then the addition of a clause requiring it to be adopted will not in fact coerce anybody.

Now, having seen that the compulsory feature of this plan is not at all the paternalistic bogie its opponents would have you believe, we next naturally inquire: Is the compulsory feature simply a harmless addition, or will its adoption do any affirmative good? Even if the experience of other countries had not demonstrated that the compulsory feature is necessary to the successful administration of the plan, the compulsory feature would still be rendered desirable because of the money it will save. Any voluntary system must be carried on by solicitors. Insurance company statistics show that it costs 40 per cent of the premiums to solicit and collect them. Therefore, any voluntary plan would cost 40 per cent more than will our plan, which dispenses with the services of these solicitors and collects the insurance through the employers.

If a voluntary plan, then, would succeed, the addition of a compulsory feature could do no harm; since the compulsory feature is necessary to the successful administration of the plan, and, furthermore, since the compulsory feature will save to the aged poor 40 per cent of their savings which under a voluntary plan they would lose, can any one seriously contend that the compulsory feature is not to be desired?

But aside from the good which thus directly flows from the plan, there is another, I would almost say a greater reason for its adoption. Picture to yourselves the worn-out toiler, turned from the ranks of the industrial army because he is too old to work. Where does he go when the day of his usefulness is past? Sometimes he goes to the poor-house; sometimes he goes to the street-corner to beg; sometimes he goes to the home of some poor son or daughter, where, although he knows there waits the loving wel-

come, he also knows he is too heavy a burden. So the burden of the old man's support falls at last upon the father of a family upon whose shoulders too many burdens already bear down. What is the result? In thousands of cases the children of this family must give up their education and go to work. The burdens must be borne! The child must help!

And of what avail in such cases, let me ask you, are your compulsory education and your child labor laws? What can they do when the wolf must be driven from the door? A thing must be possible before it can be done. Give us this system. Give this old man his insurance policy, and let him go to that home not as a burden; it may be as a help. Give the child of this home a chance, and let his footsteps turn from the factory whistle and answer the school bell. Then will you build up a healthy citizenship of free Americans!

Will you reject this reform, and turn these thousands of children away from the door of equal opportunity which we Americans love to boast is open to all? Will you reject our plan when we have shown you that there is a steadily growing need for some plan for the care of the aged poor in this country, because the percentage of aged poor among our people is steadily increasing; that our plan makes adequate provision, and without additional cost, because it simply means that the money which we are now spending improperly, shall be spent properly; that our plan is better than the present plan of individual saving, because our plan does everything that the present plan does and only costs the laborer one-fourteenth as much; that the compulsory feature is to be desired, because it harms no one, is necessary to the successful administration of the plan, and will save to the aged poor forty per cent of their savings, which under a voluntary plan would have to be paid to solicitors; that it will relieve thousands of families of a burden which will enable the children of these families to go school.

It is for these reasons, together with the fact that compulsory old age insurance has been adopted with marked success in every civilized country in the world, except in these United States, that we of the affirmative submit that the plan is necessary, practical and just, and should, therefore, be adopted in this country.

FIRST NEGATIVE SPEECH.

BY GEORGE M. DUPREE, OF CLAIRETTE, TEXAS.

Mr. Chairman, Ladies and Gentlemen:

A system of compulsory old-age insurance, administered by a host of Federal officials, reaching out over forty-eight states of diverse interests and different economic conditions, involving the incomes of twenty-five million laborers, in order that a few thousand workmen may become so-called financially independent—this is the proposition which the affirmative is called upon to support. It must be understood in the beginning, that the question is not whether this old-age insurance is better than our present conditions, but whether or not such a system recommends itself to the American people as a fixed governmental policy. Do you know, gentlemen, that in Germany under compulsory old-age insurance, pauperism is actually increasing, while in this country, according to government statistics, pauperism is decreasing? Do you know that the countries adopting old-age insurance have made it a mere incident of unemployment, accident, invalidity and other phases of insurance? Do you know that every nation administering forms of old-age relief has adopted that policy? We of the negative oppose the adoption of such a measure for the following reasons:

First: The conditions of our society are not such as to warrant the adoption of the proposed plan.

Second: A system of compulsory old-age insurance administered by the Federal Government is inexpedient.

Third: A system of compulsory old-age insurance administered by the Federal Government is impracticable, and,

Fourth: A consideration of the evils that would arise from the administration of such a system does not recommend its adoption as a desirable remedial measure.

It is my purpose to show that this system is unnecessary and inexpedient. My colleague will show that such a system is impracticable and undesirable.

The supporters of compulsory old-age insurance must show that the conditions are such as to warrant the adoption of this system in the United States. They must show that the proposed plan is in conformity with American customs and ideas, and that such a measure, considering the social forces now at work, will solve the problem of old-age dependency in an expedient, desirable

and practicable manner. We wish to provide for such dependents, but it does not necessarily follow that we should adopt the plan proposed by the opposition. Let us investigate the necessity for adopting any such plan.

The American laborer is not to be compared with those of other nations. He has a social standing, a force of organization behind him, and the individual influence of social welfare of which no other nation can boast. Our dependent workmen are now cared for by mediums of support based upon our peculiar economic conditions and American means of relief,—mediums direct in their nature, relieving the individual laborer according to local conditions.

An organization characteristic of our American methods is the United Charities. This agency, though still in its infancy, is the real basis for the solving of our poverty problem without resort to a plan not in conformity to our American ideas and customs,—a medium having for its aim the better conditions of the poor and for its basis the solving of social diseases by trained students of such conditions. Whatever its faults may be, there will be remedies in the future, for the American laborer is vitally interested in this question. The purpose of the American mediums is to allow individual responsibility, to furnish the motive for encouraging the laborer to provide for his future welfare, and when he fails, to extend to him the needed aid.

But aside from the gigantic social forces which, when established, will alleviate our old-age problem in accordance with our local conditions and industries, there are certain fundamental objections to the expediency of the proposed measure. The opposition wish to impose this Federal system without regard to our diverse interests and different economic conditions. France, Denmark, Australia, England and other nations have adopted forms of old-age insurance, but did they adopt the insurance policy which Germany administers? No, they have adopted policies peculiar to their own economic conditions and industrial labor. Germany, a manufacturing nation, adopted her insurance to meet the needs of such a class of workmen. Denmark, a dairying center, has conformed her insurance to meet the needs of this class; Australia, an agricultural country, has adopted a system to provide for this principal class of laborers; England a manufacturing and commercial nation, has provided a medium to meet the needs of that larger class of workmen. Those nations with mining as a principal industry must conform their insurance to meet that

particular class of employees. Texas represents a greater diversity of interests and conditions than all Germany. New Jersey is closely allied to Denmark in the conditions of its labor problem; Kentucky or any of our agricultural and stock-raising states presents economic conditions of labor much resembling those of Australia; the New England States presents the manufacturing and commercial interests that are to be found in Great Britain. Yet the opposition propose a Federal system operating uniformly in the agricultural, manufacturing, the dairying and the mining sections of the United States! They suggest a scheme which proposes to unite the labor conditions of Germany, Denmark, Australia and England—all of which exist in the United States—under one iron-clad system of insurance, while each of these countries has found it expedient to adopt that insurance policy best suited to their labor interests.

But the greatest evils of the Federal compulsory old-age insurance system are not that it is unnecessary, nor that it is incapable of adapting itself to varying economic social conditions, but its greatest objection is to be found in the complexity which is inherent in the administration of such a law. Germany, after a practical experiment of twenty-five years under the most favorable conditions, is confronted with these three indictments by Mr. Friedenburg, an organizer of the system, and for years President of the Imperial Commission. He says, first, that the state insurance, specifically designed to replace pauperism and charity, is itself merely pauperism under another form; second, that the system has fostered to an incredible extent the German evil of Bureaucratic formation, for, seemingly sound in theory, it has become a burden to the German nation on account of its complex and intricate administrative machinery; and third, that the whole system has become a hot-bed of fraud and corruption, and, therefore, a source of demoralizing influences.

Compare, if you please, the facilities for administering such a law in Germany with the facilities that exist in this country, and you can not help but see that the evils which have developed in that military nation, used to the rule of an iron hand, would be augmented in this country one hundred fold. Consider for a moment the fact of a Federal system of compulsory insurance reaching out over forty-eight states of which Texas alone has more varied economic conditions and a wider range of industries and population than the entire German Empire. Consider the vast amount of clerical work required for the weekly assessment

scheme; the hoard of collectors, inspectors, committees, bureaus, and courts required for the administration of the plan. Consider the opportunity offered for political pull, for the corruption of officials, and I believe that you will realize the expediency of rejecting such a measure as is proposed. On the dockets of the German Courts to-night there are four hundred thousand insurance cases demanding adjudication, and although the assessments against the employers have constantly increased, the cry of the masses on the one hand is still heard that "Capital is the oppressor of labor. We demand a fair division of the profits of industry." On the other hand, we hear the quiet warning voice of the student of political economy, and the admonition of the patriot, that "The moral fibre of the people is weakening, and the spirit of class hatred is becoming more intense." So great has become the complexity of the German system, so numerous the evils arising under the administration of the law, that students have been led to characterize this scheme as "the cancer which is destroying the vitals of our country."

Now, ladies and gentlemen, if there exists in the United States to-day these great remedial agencies to which your attention has been directed, and which promise to effect a desirable solution of this problem in the future, in conformity with American methods and customs, then the plan of the affirmative is wholly unnecessary. That the plan of a compulsory old-age insurance system in this country is inexpedient may readily be seen when one takes into consideration our diverse interests and varied economic conditions, our different standards of living and wages paid to American laborers, and finally, the plan is inexpedient because of its complexity of administration and its effect upon individual character. If my colleague can show that it is both impracticable in administration and undesirable in its effects upon the individual and upon our citizenship in general, then we ask you to reject a system which is not only incompatible with our varied economic conditions, but foreign to the social tendencies of our country, to the characteristics of our citizenship, and to the policies of our government.

SECOND AFFIRMATIVE SPEECH.

BY DOUGLAS TOMLINSON, OF HILLSBORO, TEXAS.

The most accurate insurance statistics show that for every one thousand persons living at the age of twenty, five hundred will be living at the age of sixty-five, and two hundred of these will be

in poverty and want. There are in this country to-day 1,250,000 human beings with human flesh and blood and hearts who are suffering the miseries of old-age poverty, too old to work any more, begging or dependent.

My colleague has shown in dollars and cents that these aged poor can be cared for under our plan without additional cost whatever, because our plan replaces the present unorganized wastefulness with an efficient system. Our plan will solve the problem.

All other plans are admitted make-shifts. No other plan in the history of the world has ever pretended to solve the problem of old-age dependency. In the history of mankind, only three other general plans have ever been offered: first, pensions or insurance by private corporations like the Steel Trust; second, Free Government Pensions; and third, Voluntary—instead of Compulsory—Government Insurance.

Of these three plans, pensions for aged employees by private corporations is the worst, because many corporations use the scheme not so much to provide for their aged employees as to add to the company's profit. For example, the Cambria Steel Company makes a profit of $11,822 a year from their philanthropic old-age pension department. Further, old-age insurance for employees by private corporations prevents mobility of labor. The laborer must stay with his one company continuously for from fifteen to forty years in order to get his insurance; he must stay with his company no matter if labor is little needed there and great industries are crippled for lack of labor elsewhere; if the laborer is discharged or quits he loses his old-age pension forever; he is tied to the one company, regardless of sanitary conditions, regardless of the kind of work to which he may be shifted; he becomes a kind of chattel of the company, especially during his declining years, because if he leaves their service he can never hope for an old-age pension. In brief, insurance or pensions for aged employees by private corporations would tend to reduce free American laborers to the position of the serfs of the Middle Ages. Old-age pensions by private corporations adds to the profits of the corporations, but from a social standpoint this plan is a bitter failure.

Free Government Pensions is the second plan. In this country we know what a pension system means; it means freely voting money out of the government treasury into the individual pocket. To relieve old-age dependency we would have to give a free pension to every needy and deserving old person of the nation. Our opponents can not defend such a system for this country because the cost would be prohibitive, and because our experience with military pen-

sions shows, to speak plainly, that many congressmen buy votes with pension money. Fifty years removed from any serious war, we are spending more than $158,000,000 a year in pensioning mostly "old soldiers" who never smelled gunpowder. Why? Because they vote for the man who will vote them the money. Now, adopt the universal policy of voting money out of the government treasury into the individual pockets of all aged persons, and there is before each politician and each party the constant temptation to attract votes by offering larger pensions to each person, and by lowering the age limit offering free pensions to larger numbers of people. The fact that many congressmen do not vote against excessive military pensions when only the old soldier vote is involved shows the danger of beginning the universal pension policy involving all voters. Our opponents will not defend such a system unless,like drowning men, they catch at a straw. Our plan of insurance guards against this danger by making each person help to pay through early life for the annuity he is to get in old age; thus there is no temptation to the laborer to vote for a larger annuity that he needs for his own protection, because he himself has to help pay for it during long years before he can expect the benefits. England tried the old-age pension system for four years and gave it up to adopt our plan of compulsory insurance. The free old-age pension system is a failure.

For relieving old-age poverty, only one other plan has been tried in the history of civilization. The third plan is that of voluntary rather than compulsory old-age insurance by the government: offer old-age insurance to all, just as under our plan, but do not require the laborer to take advantage of it; let him take advantage of it voluntarily. This plan looks so good on its face that every nation has tried it first, but each nation has in time abandoned the voluntary plan to accept our compulsory plan. The reason is clear.

Under the leadership of Gladstone, England adopted the plan of voluntary old-age insurance by the government in 1864. Practically no one took advantage of it. In 1872 an expert committee was appointed to revise the plan, another expert committee again revised the plan in 1892. England tried every variety of voluntary old-age insurance, and in all the forty years literally did not write as much insurance as the London Prudential writes in ten days. France and Denmark had the same experience, and dropped voluntary old-age insurance to accept our plan of compulsory insurance.

Massachusetts has recently inaugurated the voluntary insurance

system and has issued only fifty-six old-age policies. Wisconsin adopted the voluntary system and, at the last report I could get, so few applications for insurance had come in that their bureau had not even begun to issue policies. Canada tried the voluntary plan, sent broadcast over the Dominion their advertisement bulletin on "Comfort in Old Age." Canada has issued two hundred and forty-four policies. Voluntary old-age insurance is a failure.

The system of pensions by private corporations is a failure; the system of free government pensions is a failure; the system of voluntary old-age insurance is a failure.

On the other hand, our plan of Compulsory Old-Age Insurance is succeeding in every great civilized country in the world except our own. Germany adopted it in 1889. Every laborer whose income was below $476 was required to take out old age insurance, the cost being divided between the laborer, the employer, and the government. This was the experiment of 1889; if it had been a failure, the whole scheme would have been repealed long ago; if it had been only a moderate success it might merely have been continued in operation without extending its scope; but the plan of compulsory old-age insurance has proven so universally satisfactory that it has been constantly extended. In 1899 it included all laborers whose incomes are $1250 a year, almost three times as much as it was at first.

The plan we propose is succeeding in Germany. No political party in Germany, no great economist or sociologist in Germany now advocates the repeal of the law. Their management is so efficient that it costs only 7¼ per cent for litigation; the remaining 91½ per cent goes directly to the benefit of the insured.

Dr. Paul Kaufman, President of the German Imperial Insurance Department, says: "The successful handling of the labor problem by means of social insurance is one of the strongest factors in Germany's constantly growing industrial progress." Dr Spieckler says: "We have secured higher efficiency in our industries due to the increased worker's efficiency, all brought about by relieving our workers from worry and distress" for the future.

Under this plan for increasing the efficiency of their laborers Germany has advanced from fourth to second place in the world's trade; the property of her people has doubled in value; there are 18,000,000 savings banks' accounts; wages have risen on the average for unskilled workmen about twenty-five per cent, for skilled workmen about fifty per cent, and in certain trades even one hundred per cent; there are fewer unemployed in Germany than in any

other nation in the world; the death rate has considerably diminished; the length of life has risen from 38.1 years to 48.8 years. Germany is satisfied with the plan we propose.

These facts impressed England so strongly that the Trades Congress of Great Britain sent a commission to study the German situation. This commission officially reported back that there were literally no slums in Germany. Then England adopted a compulsory old-age insurance system. The law went into effect on July 13, 1912. England's method of administration is simple and efficient. Each laborer is given an insurance card; at the end of the week he carries this card to his employer who affixes to it an 8 cent insurance stamp; the laborer then carries this card to the postoffice, gets his credit, and the postmaster forwards the card to the Central Bureau.

England, after studying and experimenting with every known system for relieving old-age poverty, at last adopted the plan of compulsory old-age insurance which we of the affirmative offer to-night. The Liberal party in England passed their compulsory old-age insurance law; the conservative party no longer declares against it; the Labor Party through its leader, Mr. Ramsey MacDonald, has officially declared in favor of it. England is satisfied with the plan we propose.

France began experimenting in 1850, and by 1910 reached the goal at which all nations ultimately arrive—Compulsory Old-Age Insurance. All whose incomes are $600 a year or less are required to insure, the government paying a liberal part of the cost. The French system has one especially noteworthy provision for encouraging thrift. The laborer may contribute a larger premium than is required, and so by his own foresight and saving provide for himself a larger annuity on reaching the pension period. France is satisfied with the plan we propose.

Without going into the detailed system of other countries, it is sufficient to say that the experts of all European nations assembled at Rome in 1908 and again at The Hague in 1910, and both conferences declared officially that compulsory insurance was the best and most efficient means of solving the problem of old-age dependency.

Germany says compulsory old-age insurance is a good thing; our opponents tell Germany that she is mistaken, that the system is bad. Denmark says compulsory old-age insurance is good; our opponents say it is bad. France says old-age insurance is good; our opponents still insist it is bad. England affirms that compulsory old-age insurance is good; our opponents—waxed mighty in

stature and wisdom—deny it. The experts of all of the nations in Europe in conference twice declare that the combined experience of their nations has shown that compulsory old-age insurance is the best solution of the problem.

Our opponents can escape this overwhelming testimony only by saying that their theories overturn all of the facts of Europe; that in the interpretation of these facts they themselves are wiser than the World's congress of experts! That would be mighty hard on these experts, but I guess they could stand it.

Our affirmative case rests upon this rock: I have shown that every other plan that has ever been tried has failed; the nations one by one have abandoned them to take up our plan; our system has never failed anywhere; no nation having ever adopted old-age insurance has ever abandoned the policy, but on the other hand each has constantly extended the scope of its operations; my colleague has shown that our plan can be adopted in the United States and will care for old-age dependents without adding one penny to the annual $220,000,000 we are at present spending ineffectively for the purpose, because our plan will substitute a system for present unorganized wastefulness.

Every other plan has failed; our plan has always succeeded; hence our opponents are driven either to accept our proposed compulsory old-age insurance or to defend the barbaric policy of making no provision whatever for old-age poverty. Dr. Reinhart, a missionary, discovered one wild heathen tribe in the far interior of Thibet whose custom it was to drive their useless aged from the tents to the wilderness to starve. Are the gentlemen on the negative willing to say that society in America should be allowed to cast off its aged poor to starve?

Honorable Judges, upon this Gibraltar we rest our case: every other plan has failed; our plan of Compulsory Old-Age Insurance has always succeeded, and it can be adopted in this country with no additional cost.

SECOND NEGATIVE SPEECH.

BY CHARLES I. FRANCIS, OF DENTON, TEXAS.

Mr. Chairman, Ladies and Gentlemen:

My colleague has shown that the adoption of a compulsory old-age insurance law by the Federal government is unnecessary and inexpedient; unnecessary, in that there are now at work on the

problem certain gigantic forces which will in the end effect a desirable solution; inexpedient, in that our varied economic resources and peculiar Federal form of government preclude an effective administration of the system. He has pointed out that the inherent complexity of the proposed measure will destroy whatever benefits might theoretically be expected to result from the adoption of the plan; and he has shown that a compulsory insurance law is unsuited to the individualistic sentiments and ideals of the American people.

The opposition in their constructive argument have said that old-age poverty is due fundamentally to our unfair industrial system, together with the naturally improvident character of the average workman, and that the only way that this condition can be remedied is through the agency of a compulsory old-age insurance law. Gentlemen, we are constrained to take issue with the affirmative in the very premise upon which their entire argument is founded. If the average workman is improvident of the future, can compulsion remedy this defect of character? Just as the muscles of the body are not strengthened but rather weakened by inactivity and idleness, so are self-reliance and independence taught only by the exercise of these qualities. We are, therefore, unable to discern how governmental paternalism can ever instill these qualities in the American laborer, of the lack of which the affirmative complain. Nor can we understand how in the face of modern investigation and research, the opposition can contend that poverty is due to the unfairness of our economic system. We contend that it is due primarily to *social* and not to economic causes. To illustrate my meaning: Prof. Divine of Columbia University says, "We have too long been paying for the effects of our social diseases without trying to remedy their causes, and the social conditions of the American people demand that we must remedy these causes instead of year by year paying for our industrial defects." Germany has instituted an old-age insurance plan, and yet according to the statement of Dr. Friedenburg, former President of the Imperial Insurance Commission, and according to Henry W. Farnum and Dr. Emil Munsterburg, leading European authorities, poverty has increased at a remarkable rate since the inauguration of the plan. Our own country has had no such Federal insurance plan, yet according to our census reports, poverty decreased, during the period from 1890 to 1903, 15.1 persons for every 100,000, and during the period from 1903 to 1910 it decreased to 8.8 persons per 100,000; during the past thirty-three years it has decreased 30.6 persons per 100,000 of population; an increase in poverty

under a compulsory insurance system in Germany and a decrease in poverty in this country where no such system exists. Germany has tried to solve the problem by a spurious law of compulsory insurance; it has pursued the policy of paying year by year for its industrial defects. Our country has in a small way pursued the policy of removing the causes which give rise to poverty. The German plan has failed. Our own plan has succeeded in a measure. Then which, ladies and gentlemen, should be the future policy of our country? Furthermore, according to the statement of Dr. Friedenburg and Herr Zahns, Germany expends more today in proportion to its population on charity and out-door relief than it did before the inauguration of the Federal Insurance System. Herr Zahns, a leading German authority formerly connected with the administration of the insurance law, after a research covering the years 1909-1910, has published the following statement: "In reality the poor expenditure both as regards the number of beneficiaries and as regards the number of individual allowances, has almost everywhere increased." Dr. Friedenburg further says: "As to the promise to kill pauperism, it is remarkable how little of that promise is heard to-day." Germany thus bears a double burden—the burden of charity, administered by poor relief societies and charitable organizations, and the burden of Federal insurance, paid in a large part by the laboring classes who are least able to bear the burden. In this country, we have but one burden—the burden of charity—which is paid by that portion of society which is financially able to make such a contribution. Year by year, according to the United States census reports, this burden of our country is decreasing, while both the burden of insurance and the burden of charity are increasing in the German Empire.

Modern society is confronted with the great problem of the social evil. Shall we allow the conditions producing this evil to continue, and seek to make amends to the victims by a money payment? Yet, speaking comparatively, this is what the opposition proposes; this is what the above statistics show that Germany has done,—merely continued that social system which produces the abnormal condition of poverty, and hence has failed to find a remedy for the causes of its social disease. The result has been additional burden of insurance plus the increasing burden of charity.

An analysis of the debate up to this point, shows the following status: The affirmative says (forgetting the experience of Ger-

many), "Our industrial system is wrong; it produces old-age poverty; remedy it by each year paying the price of your negligence and incompetence." The negative says: "Poverty is due primarily to *social conditions;* remedy the evil by eradication of the fundamental causes." The affirmative says: "The American laborer is incompetent and incapable; hence compulsion is necessary." The negative says: "The incompetence and incapacity of the American laborer is not inherent, as the British investigation committee said, but due to disease, lack of education, mental and physical inabilities; and the paths of reform must follow the lines of industrial education; the passage of fundamental social laws for the able, such as Workmen's Compensation, Minimum Wage, and Child Labor Laws; and finally, scientific and organized charity must provide for that portion of society which has become dependent upon the state."

But passing by the experience of Germany, and disregarding the opinions of our leading economists voiced by the President of Wisconsin University when he said: "Did we but apply the agencies which we have at hand, we would solve within two generations the great social problems that confront our nation," let us presume that the American people desire this compulsory insurance law even though it does not reach the fundamental causes of poverty. What difficulties would we encounter in the practical administration of the law?

Society would be divided into two great classes: those compelled by law to provide for old age through a system of insurance; and those who are exempt from such provision, inasmuch as their wages exceed the minimum required by the government. Statistics will hardly warrant such a division, for proportionately just as many lawyers, just as many ministers, just as many merchants become paupers as industrial laborers. So any system of compulsory insurance must fail in its purpose of preventing old-age pauperism among the uninsured classes, and such classes in this country would amount to more than 65 per cent of the entire population. But the classes subject to such a law—mind you, representing but 35 per cent of our population—may also be diivded into two classes: (1) Our industrial classes representing those whose employment is steady and whose incomes are fairly regular, and (2) the great army of the irregularly employed whose wages constantly vary from month to month, such as carpenters, masons, contract workers, agricultural laborers, seamstresses, house-servants, washwomen, and so forth.

The former class, our industrial laborers, according to the United States census, represents 24 per cent of the laboring classes; the latter class, those irregularly employed, represents approximately 76 per cent. In the case of the 24 per cent, a system of compulsory insurance might be administered by compelling the employer to deduct from the salary of the employe the amount of the weekly assessment. But in the case of 76 per cent of the wage earners, the irregularly employed, no assessment could be made by the stoppage-at-the-source plan, for their wages are uncertain, varying from month to month, and the wage-earner has no certain employer for any considerable length of time. So any system of compulsory insurance must fail in its purpose of preventing old-age pauperism in the great army of the irregularly employed, and it is from the latter class, as Frederick I. Hoffman says, "that the majority of old-age dependent paupers come." Now, of this industrial class representing but 24 per cent of our wage earners (not of our population, mind you), what proportion will ever reap the benefit of an insurance policy? Reliable statistics, found in the 1910 census reports, shows that only one man out of every twenty-five reaches the age of 65 years, the lowest age at which a paid-up policy could possibly be granted. Then of the 24 per cent of the laboring class, who have a potential possibility of receiving a paid-up policy, only one out of every twenty-five will reach the minimum age limit. The other twenty-four will pay for the one, and will realize no benefit whatever from the thousands of assessments which they have been forced to pay to the Federal government. Gentlemen of the affirmative, is this the equitable system for which you plead? Do you mean to say that you will attempt to assess the salaries of twenty-five million laborers for the benefit of such a small per cent of our population? When of this small per cent three out of ever four are independent of all forms of charity? You propose to institute a gigantic system of insurance in order to remedy old-age poverty, when such a system could not possibly benefit more than one-half of 1 per cent of our population. Then it is unreasonable to suppose that the system will succeed in its primary purpose.

To summarize my second point: Our government under the proposed plan will purpose to reach but 35 per cent of our population, the other 65 per cent being exempt; of this 35 per cent only the industrial class, amounting to but 24 per cent of the wage earners, can be reached, as the other 76 per cent are irregularly employed; of the 24 per cent only one out of every twenty-five will

ever receive any return on his investment, and to those whom aid is given, a large majority will have no need for such aid. We contend that the results do not justify the means.

My colleague has discussed the great complexity attendant upon the administration of a Federal Insurance System; in Germany so complex and intricate has it become that practically every benefit expected by its supporters has failed to materialize. Join to the inherent complexity of the scheme the fact that it fails to reach the fundamental causes of poverty, and benefits only such a small per cent of our population, and it will readily be seen that the system is impracticable in administration.

In 1884 Bismarck, Chancellor of the German Empire, when asked his reason for proposing and supporting a social insurance policy, said: "Because it will be an inoculation against socialism, the power of which, although detrimental to the empire, is steadily increasing." When Bismarck made that statement the influence of the Social Democrats in governmental affairs was practically negligible; in 1872 they cast a vote of 125,000. In the election of 1912 their candidates received a plurality of 3,000,000 votes, the Socialist vote amounting to 7,500,000 out of a total vote of approximately 12,000,000. The platform of the party is "the destruction of capitalism, and the inauguration of a state monopoly of the production and distribution of goods."

Social insurance but added fuel to the flames of Socialistic ideas; the lines of class cleavage have become clearly more marked; and the people clamor for a greater degree of protection from the state. Politically America knows no servile class; if it is ever created through a system of compulsory insurance, we will have no Bundesrath as in Germany, to defeat the will of the popular assembly. To illustrate: To-day in the United States no political party dares to favor a reduction of the pension system, and as a consequence, though fifty years removed from any serious war, we have a pension list the largest in the history of our country, and constantly increasing through popular demand. Just so under an insurance system, in order to curry popular favor, our parties would be forced to favor an increase in the assessments against employers, a lowering of the age limit, and more extended privileges to the masses. We of the negative hesitate to favor the adoption of a system which experience shows will become entangled in politics, where fraud and corruption will creep in, and by which the demagogues may appeal to the feelings and interests of the insured.

Whereas my colleague has shown that the proposed measure is

unnecessary and inexpedient, that it is inherently complex and incompatible with American sentiments, institutions and ideals, it has been my purpose to prove that the law does not reach the fundamental causes of poverty; that whatever benefits might theoretically be expected from the system, the practical results do not justify the measure in that such a few would reap the benefit of the law, for it does not include within its scope the welfare of the uninsured classes, amounting to 65 per cent of our population; it does not include the great army of the irregularly unemployed, amounting to 76 per cent of the wage-earners, and it will be of no benefit to those who do not attain the minimum age limit; joined to these defects is the fact that complexity arising from the administration of the law would be seriously detrimental to, and perhaps destructive of, the efficiency of the scheme; that the system would become entangled in political alliances, would encourage class hatred, and foster the tenets of Socialism. For these reasons we ask the rejection of a compulsory system of old-age insurance administered uniformly by the Federal Government.

BIBLIOGRAPHY.

BOOKS AND PAMPHLETS.

Australia. Attorney General. Old Age Pensions. Published for the Government of Australia by J. Kemp, 1908.

Adams and Sumner, Labor Problems.

Boyd's Compilation of Insurance Laws, 1912.

Canada. Parliament, 1906-1907. Senate Old Age Annuities. Ottawa, Govt. Printing Bureau, 1907.

Devine, Edwin T. Misery and Its Causes.

Dryden, John F. A Method of Providing With Certainty for Dependent Old Age. American Underwriter, 1908.

Dr. Friedenburg's Criticism of German System of Social Insurance.

Eberfield, System of Charity. German Government document.

Frederick A. Ogg. The Governments of Europe. The Macmillan Co., 1913. Social Progress in Contemporary Europe. Gives status of insurance in various European countries.

Henderson, Charles R. Introduction to study of dependent, defective, and delinquent classes and of their social treatment. Boston, D. C. Heath & Co.

Henderson, Charles R. Modern Methods of Charity. The Macmillan Co. The Social Spirit in America.

Hoffman, Frederick L. Paper read before Board of United Charities. In Report of United Charities Association, 1908. Also American Journal of Sociology, September, 1908, Social Insurance.

Investigation of Imperial Insurance Commission of New South Wales. Government Document of New South Wales.

Great Britain, Laws, Statutes, Etc., 1912. Insurance Act, by William A. Casson. London. C. Knight & Co., 1908.

Massachusetts Commission on Old Age Pensions. Report, 1907. Boston, 1907. 500 pp.

Missouri University Bulletin by Dr. Charles Ellwood. Almshouse Statistics.

Murray, London J. The Manufacturer of Paupers: a Protest and a Policy. 1906.

Nearing, Scott. Social Adjustment.

Proceedings of National Conference of Charities and Correction. Papers by C. R. Henderson, E. A. Vanderlip, Frank A. Fetter.

Report of British Investigation Committee. British Government.

Report of Imperial Insurance Commission of Germany. Government Document of German Empire.

Report of Massachusetts Investigating Committee. Bureau of Statistics of Massachusetts.

Seager, Social Insurance. A Program of Social Reofrm. The Macmillan Co., 1910.

Squier, Lee Welling. Old Age Dependency in the United States, The Macmillan Co., 1912.

United States Census Reports for 1900 and 1910.

Workmen's Insurance and Compensation Systems in Europe. Annual Report of U. S. Commissioner of Labor, 1909. Government Printing Office, Washington.

PERIODICALS.

Affirmative References.

Amer. Jour. Soc., vol. 17, 177-87. Atlantic Mo., vol. 108, p. 105. Econ. Jour., vol. 9, pp. 520-40. Independent, vol. 61, pp. 705-6; vol. 64, pp. 1103-4; vol. 65, p. 175. Contemp. Rev., vol. 93, pp. 94-107. Scribner's Mag., vol. 37, pp. 454-67. Survey, January 20, 1912, p. 1622. World's Work, vol. 3, p. 2019. Rev. of R's, vol. 27, pp. 84-5. Harper's Mag., vol. 119, pp. 727-34. Fortn.

Rev., Jan. 20, 1912, pp. 40-59. Forum, vol. 40, pp. 569-76. 19th Century, vol. 69, pp. 1141-56. Pol. Sci. Q., vol. 26, p. 500.

Negative References.

Rev. of R's, vol. 38, p. 746. Arena, vol. 23, pp. 635-46. Forum, vol. 28, pp. 287-700; vol. 68, p. 187. Nation, vol. 69, p. 146; vol. 82, p. 96. 19th Century, vol. 30, p. 380; vol. 45, p. 681; vol. 68, pp. 957-74. No. Amer. Rev., Jan. 1912, pp. 108-19. Westm. Rev., vol. 176, pp. 209-14. Atlantic Mo., vol. 108, pp. 105-9. Econ. Rev., July, 1892. Blackwood's Magazine, Jan., 1912, pp. 147-54. Outlook, vol. 30, p. 1911.

BANKING AND CURRENCY REFORM.

FIRST AFFIRMATIVE SPEECH.

BY THEODORE A. GATCHELL, OF AUSTIN, TEXAS.

Ladies and Gentlemen:

The subject under discussion this evening is, *Resolved, That the Plan for a National Reserve Association as Proposed by the U. S. Monetary Commission Offers a Desirable Remedy for the Defects of Our Present Banking and Currency Systems.*

Our present monetary system arose at the time of the Civil War, and it was formed for the purpose of furnishing a market for U. S. Bonds on which the war was financed, and to secure a safe currency system. But as President Wilson points out, in endeavoring to secure safety we sacrifice flexibility, so that to-day we have neither the one nor the other. To-day,, therefore, we have simply a bond-secured currency as contradistinguished from asset currency, with the result that the amount of bank notes in circulation is not based on the business demands but solely upon the amount of bonds which are issued. For example, if the Panama Canal is to be built, we must necessarily have an extra amount of bonds, and therefore in addition an entirely superfluous issuance of bank notes. Is it within reason to suppose that if a lock canal costs fifty millions more than a sea level canal, we should have fifty million dollars additional of bank notes in circulation? So, the changes in the price of bonds and not the business demands, is the sole factor which determines the amount of notes in circulation to-day under our present currency system.

The most vital defects of the system, therefore, may be enumerated as follows: first, the inelasticity of currency; second, the lack of coöperation between banks; and, third, the financing of our exports by foreign bankers alone. As a result of these evils we see constant expansion in our bank notes, with no corresponding contraction, which results in inflation and a panic every few years. We see an annual money deficiency at the crop-moving season. Farmers have to pay eight per cent for loans throughout the country while Wall Street speculators get these same loans for three per cent. We see Texas cotton, exported and financed by European

bankers simply because the American bankers are not allowed to deal in acceptances. We see a lack of mobilization of reserves, lack of credit facilities, lack of coöperation between banks and an absolutely inelastic, unsatisfactory currency.

To remedy these existing evils the plan of the National Reserve Association was brought forward. This plan is as follows:

There will be an organization similar to our counties, States and Nation, represented by the local associations which elect the directors of the fifteen district associations into which the country is divided, who in turn elect the directors of the National Association. The Governor of the National Association and the two deputies and the other forty-three directors of the National Association will exercise general control over all the Association, but the stockholders of the local banks throughout the country hold absolutely in their power the personnel of each board of directors, that is, the substantial business men in each community. The plan contains eight different provisions:

(1) To insure the maintenance of adequate reserves, (2) to provide for the concentration of cash reserves, (3) to authorize the rediscounting of commercial paper by the Association, (4) to give to individual banks the facilities for an increase of their reserves and loaning power, (5) to grant further note-issuing power to the National Reserve Association, (6) to provide for a uniform rate of discount, (7) to standardize commercial paper, and (8) to establish foreign banks.

This plan, resulting from our experience in the past, possessing the best features of the European systems, and revised and made suitable for modern financial demands and the peculiar and widely differing conditions existing in this country is the medium we offer you this evening through which the present evil of our system may be cured and the future needs of our Nation be provided for. The benefits resulting from the adoption of this system would be three-fold. The National Reserve Association, first, will furnish the means for coöperation between different banks and make possible concentrated reserve; second, it will provide means for financing our exports, and, third, it will give us better credit facilities.

This plan will furnish a means for coöperation between different banks. The aim of this plan is to establish a coöperative, not a centralized banking system. To-day in panic and crop-moving times the banks act only for themselves and thereby both they and the public suffer. Under the proposed National Reserve Asso-

ciation the banks will be able to obtain all the cash they need and they will gladly coöperate with each other. They will be able to do this because the plan (Section 28), proposes that the Association may rediscount direct obligations of subscribing banks. Any bank, therefore, in times of panic when cash is necessary, needs only to send its securities in the form of commercial paper to the Association and immediately it will receive the amount in cash holdings. Nothing but coöperation can result when such a plan is in force. Contrast this state of affairs, if you will, to those existing under the present system. This same bank, in times of panic when it needs the cash, may possess all the securities in the world, but under the present law it could not negotiate a single dollar's worth, with the result, that not alone do the banks suffer but the people as well, and no coöperation whatsoever will exist between individual banks. Moreover, all possible means, such as transferring bond balances by telegraph, etc., are provided in the plan in order to facilitate this coöperation.

This means an absolute elimination of exchange charges. The National Reserve Association shall at once upon application, without charge for transportation, forward its superfluous notes to any depositing bank account to credit its balance. Once this coöperation is established, we wil lbe enabled to have a mobilization of reserves and a large gold fund may be kept in one place. This concentrated gold reserve, always accessible, would be able to break panics and alleviate conditions.

For instance, the Bank of England with a concentrated gold reserve of one hundred and fifty millions in 1907, helped the United States with a reserve of nine hundred millions in governmental vaults and twice that much scattered throughout twenty-five thousand various banks. The policy of every bank in times of panic would change under the National Reserve Association. In times of panic under our present system, each individual bank begins to hoard money regardless of whether or not the panic effects its section. Under the National Reserve Association the individual banks would be enabled to loan money to the afflicted ones and thus immeasurably relieve the situation. This method has repeatedly worked with success.

For example, on September 23, 1907, at Germany's commercial crisis and our panic the cash on hand of the Imperial Bank was $236,797,000.00; on September 30 it had declined to $199,025,-000.00, a decrease in one week of $37,772,000.00. But, during the same week the loans and discounts rose from $289,750,000.00

to $391,637,000.00, an increase of $101,887,000.00. The note circulation *rose* from $339,625,000.00 to $435,437,000.00—an increase of $93,812,000.00. Thus by merely increasing the loans and note circulation, Germany was able to escape the panic which the same year and the same month ran wild over the United States, and in which our banks were forced to decrease the loans and increase our reserves.

My second point. The National Reserve Association will provide means for financing our exports. This plan will enable the United States to finance our own exports and thus get our proportionate share in financing the products of the world. We should finance our own foreign exports, and the people of the South should be particularly interested in the matter of who exports, who finances, who reaps the profit of our cotton. To-day our banks can not deal in acceptances because of ridiculous laws, though they can lend on promissory notes which often do not have the security behind them that acceptances have. Thus the Texas farmer, when he exports his cotton, gives his bill of security and gets his bill of acceptance, finds that no American banker is able to deal in this acceptance, with the result that the deal is put through by London: and *London gets the profit.* Last year we exported six hundred and fifty million dollars worth of cotton. This amount was largely financed by sixty to ninety-day bills drawn on Liverpool or Berlin. The business was done and the profits received by foreign banks and this large sum was in the last analysis paid by the cotton planter himself. We are now spending five hundred millions to build the Panama Canal and we should be able to finance our own products and be able to profit by the canal instead of having to pay increased millions to foreign bankers. The National Reserve Association meets this defect and offers a remedy. This plan will be able to meet this demand, first, through its provisions whereby the banks can rediscount bills of exchange, notes, drafts, etc., and second, through its liberal provisions whereby banks may be organized under it in the foreign countries and there do the business of this country. Thus, under the National Reserve Association we will be able to finance our own exports, our Merchant Marine will again flourish, and we will be able to stand at the top in all fields.

My third point. The National Reserve Association will give us better credit facilities. This point stands out at once as one of the preëminent reasons for the adoption of the plan of the National Reserve Association. In modern times money transactions are

based upon credit, and the modern monetary system is based upon a small foundation of gold upon which are added numerous obligations payable in gold which are settled by clearings of credit. This factor of credit is more important in business, in banking, in exchange than the actual gold. This, therefore, is one of my main reasons in advocating the adoption of the National Reserve Association; that the proposed plan aims at establishing standard values for which a broad market can be created, so that assets can be quickly turned into bank credits.

In the discussion of this section of the plan, two facts are brought before our notice: first, that our present system fails to break panics simply because it provides for no definite and well regulated credit facilities, and second, that the credit facilities of the plan of the National Reserve Association have always succeeded in averting panic runs and prevented financial disturbances.

In 1893, during a panic period of seven months, the legal tender money held by the national banks reached 23.2 per cent of their net deposits; liquidation of net deposits amounted to $203,000,000 outside of the reserve cities. The reserves amounted to 30 per cent of deposits, being double the legal requirements. Here is a system which failed to break a panic for a period of seven months even with cash reserves amounting to double the legal requirements. The lack of proper system of credit expansion was responsible for the panic run.

Again, look at our panic of 1907. During this disastrous year we had no war scare, the country was full of gold, but sales of 50 per cent to 100 per cent could not bring money because our system had killed our own confidence in our own credit.

The plan of the National Reserve Association has been modeled after the banking systems of England, France and Germany. The main head, however, in which identity exists between the systems is to be found in the credit facilities features. In other words, the method of banking a panic and meeting the annual crop-moving deficiency in England, France and Germany would be identical with the method necessarily taken by the plan of the National Reserve Association. These European systems have avoided panics and other financial disturbances because of extensive credit facilities identical with those of the plan of the National Reserve Association.

During the recent Morocco crisis, a war scare developed in France and actual hoarding of gold began; the withdrawals from deposit banks were alarming. But there followed no panic, the Bank of

France issued notes freely, the French banks collected their holdings of foreign paper and the general confidence in the bank's power to cope with the situation overcame the fright without the calamities that would have followed with us. *All because of credit facilities which our present system lacks and which the plan for a National Reserve Association possesses.*

When France withdrew from Germany more than two hundred million marks that had been invested there, when England and Russian money was called back, when runs began on savings banks, Germany had to face a crisis identical with our panic of 1907. What happened? The Reichbank rapidly increased its credit facilities by about $150,000,000.00. Moreover, it had accumulated in times of peace vast sums of foreign bills, and when rates of exchange moved up to a point warranting gold exports, it began to sell these foreign holdings. At the same time, a slight increase in its rate took place, which brought new money, mainly American, to Germany's assistance. This inflow of foreign money was increased by the sale abroad of German treasury notes. *All because of credit facilities which our present system lacks and which the plan for a National Reserve Association possesses.*

Commercial paper and bank acceptances form the main assets of European banks. These bills have the widest possible market, when millions are exchanged daily with the margins of one-sixteenth per cent of one-eighth per cent in the interest rate without the necessity of scrutinizing the paper when the bargain is struck. Everywhere, bills of exchange have been standardized, and a long list of financial success is the result. Yet, these same credit facilities are provided for in the plan of the National Reserve Association, and still we hesitate about its adoption. This system is built upon credit as it necessarily should be. To be safe it should make cash less valuable or attractive than bank credit. This it does by allowing depositor and bank alike to turn cash holdings into interest-bearing bank credits. Thus, cash is allowed at all times to return freely and rapidly into the central reserve of the National Reserve Association. The Association would then become the safety valve of our Nation. Its existence plus its ability to maintain the Nation's credit would create that safety for calculating credits which would make the whole system practicable. By increasing or decreasing its rate of interest, by investing in the nation's commercial paper, by accumulating holdings of foreign paper, all of which is included in this plan, it would become strong enough to give efficient and elastic service in times of panics and thus protect each bank individually in time of need.

On the one hand, therefore, you have our present system, incapable of preventing panics, incapable of rendering help in times of need, incapable of efficient credit regulation, incapable of protection; on the other hand, the proposed plan of the National Reserve Association with extensive credit facilities, with ample provision for giving help, with the opportunity and power to better the Nation's finances, with success and experience behind it, with a record of stability, utility and practicability upholding it. Reformation and renovation of our present monetary system is absolutely necessary. The North needs it, the South needs, the East needs and West need it. Why, gentlemen, during the last year eight national banks, the very foundation of our monetary system failed, and eighty-three national banks were placed in voluntary liquidation. The foremost, the sanest, the most practicable remedy is to be found in the plan for a National Reserve Association as proposed by the National Monetary Commission.

FIRST NEGATIVE SPEECH

BY TOM B. RAMEY, OF TYLER, TEXAS.

Ladies and Gentlemen:

The career of the so-called Aldrich Plan has been most extraordinary. For quite a time the plan seemed certain of success, and all that appeared to be lacking was the formality of passing the bill in Congress. But gradually the tide of public sentiment has changed, until to-day its staunchest supporters have abandoned all hope of its being enacted into law in its present form. At New Orleans in 1911, the American Bankers' Association gave its unqualified approval to the plan of the National Monetary Commission. But at Detroit last September, the same Association of bankers totally abandoned the Aldrich Plan, and resolved to coöperate with any and all persons in divising a better financial system. In 1911 we saw in the Aldrich Plan a scheme of reform calculated to satisfactorily remedy all the evils in our present banking system. In 1912 we saw in it a plan strongly repudiated by the leading opinion of the country, we have seen it specifically rejected by the Democratic platform, specifically opposed by the Progressive platform, and as specifically ignored by the Republican platform.

When we think of the powerful influence and pressure that has been brought to bear in the attempt to crystalize sufficient sentiment to insure the passage of the Aldrich Bill, we sometimes won-

der that it proved a failure. In view of the fact, however, that it did not succeed in spite of the powerful influence behind it, we are inevitably led to conclude that the plan must contain certain fundamental features that are objectionable to the people of this country. It is our intention in this discussion to expose the most flagrant faults in the Aldrich Plan, and to show you how the proposed scheme, if enacted as a remedy for the evils in our present banking system, would be impracticable and undesirable.

Certainly one of the most serious objections to the Aldrich Plan arises from the opportunity afforded by it for the inflation of our currency and the over-extension of credit. The fundamental feature of the National Reserve Association is to concentrate a great part of the cash reserves of the banks of the country into one great fund to be used as a sort of common reserve against bank deposits, and at the same time to act as a basis for an issue of credit currency, which would eventually become our principal circulating medium. The Association will have the power to issue its notes to practically an unlimited amount. Section 51 of the Aldrich Bill makes provision for an uncovered note issue of one billion two hundred million dollars without any effective prohibitive tax. Mark you, this sum is far in excess of the uncovered untaxed note issue permitted by the twenty great central banks of Europe combined.

The affirmative maintain that the greatest and most fundamental evil in our present banking system is its inelasticity. They tell us that our money lacks a needed elasticity and is not responsive to the demands of trade and commerce. Experience has taught us that the money supply is subject to the law of supply and demand the same as other commodities are, and that it flows automatically from communities where it is over-abundant to those in which it is more in demand. This is what constitutes the true elasticity that money should possess. But this natural elasticity will be destroyed if a large issue of credit notes is made, as is proposed under the Aldrich Plan. The elasticity claimed for these credit notes is that they will be issued only for the regular commercial demand, and will be retired when that demand is satisfied. But experience in the United States has demonstrated that bank notes issued upon the credit basis will continue in circulation until they wear out. Paper money once issued and absorbed becomes a part of the active capital of the country, and its destruction has the same effect as the destruction or withdrawal of capital in any other form. The panic of 1873 was caused by the attempt of the government to withdraw from circulation the legal tender notes which were never

intended to remain permanently in our money system. But the calling in of so much currency was the taking away of so much capital from active use, and this constituted a draft upon the volume remaining which it could not stand, and a panic resulted. The Government soon abandoned the undertaking, however, and we have the legal tender still with us. The history of the operations of our national bank currency also illustrates this point. Since its first issue the volume outstanding of these notes has steadily increased, and has never decreased, regardless of the demands of commerce and trade. In 1900 the amount of these notes was $200,000,000; while to-day it is $700,000,000, which represents an increase in ten years of two hundred and fifty per cent. At no period has there ever been noticed the slightest symptoms of this mysterious elasticity, the notes increasing the same whether money was easy or tight.

It is now generally conceded by the experienced bankers of the country that our present currency issue is excessive, and would seem to demand some restraining action by Congress. Even the strongest proponents of the plan of the National Monetary Commission, including Professor Laughlin, admit that the evils they complain of in our present system are not due to a scarcity of our currency. But the Aldrich Plan, instead of proposing to put a check on further expansion, would give the National Reserve Association the power to increase the existing volume of our currency to an unlimited extent. The amount of our so-called inferior currency outstanding at present is as follows: Legal tender notes, 346 million dollars; legal tender silver, 550 million dollars; and national bank notes, 700 million dollars, making the vast sum total of 1596 million dollars. Gentlemen, I ask you how we can possibly ignore all laws of monetary science, and still further inflate our currency by eliminating the 700 millions of bank notes, and substituting therefor, as provided in the Aldrich Bill, the enormous sums of 900 million dollars of untaxed National Reserve Association notes, with an additional 300 millions of notes only taxed 1½ per cent.

There is no limit fixed upon the note-issuing power of the National Reserve Association except that a reserve of at least 33⅓ per cent must be held in the vaults of the Association in lawful money. The balance may be represented by commercial paper. Even this minimum reserve will likely be considerably reduced by the provision made in Section 42 of the Bill which permits the Association to deduct half of the amount of bonds which it takes

over from national banks from the liabilities, in effect using such bonds as partial reserve. The notes of the Association will be merely paper promises to pay, the same as the notes of any other corporation. While they would circulate freely as money, they would not be money in the basic sense. You can't make a dollar out of $33\frac{1}{3}$ per cent gold and $66\frac{2}{3}$ per cent promise, and be always sure that that dollar is going to be just as good as a gold dollar. At any rate you can't pay foreign debts with that kind of money.

What will be the result of this unprecedented expansion of our currency? Instead of working to prevent the occurrence of panics and periods of business depression, it will only tend to aggravate the evil. One of the strongest supporters of the Aldrich Plan frankly concurs in the opinion that the origin of each recurring period of tight money in this country can be traced to preceding periods of easy money. It is an indisputable fact that commerce suffers more in the long run from periods of over-abundance of our present circulation than from scarcity.

Our friends of the affirmative ask us, if the paper discounted by the National Reserve Association must be based on actual commercial transactions, how it is that such inflation is possible? The answer is simple. Although for ordinary times the loans of the National Reserve Association itself are restricted to commercial paper, there is nothing to prevent its member banks from making any kind of loans they please. The purpose of the Reserve Association is to supply the banks of the country with currency as called for, and thereby the Association becomes practically an appendage to each member bank whose ordinary resources are thus immensely increased by the note-issuing privilege indirectly conferred upon it. Now, it is well known to most of us that nearly all of our large city banks invest their resources in stocks, bonds and similar securities, finding it far more profitable to make this class of loans than to hold their funds for the inconstant demands of commerce. In the fall of the year when the usual commercial demands occur, the Reserve Association will relieve the banks of their commercial loans, and they will not be obliged to call in their loans on stocks and bonds but will be able to continue their investments in these speculative securities. Should this latter class of loans call for more money than their commercial paper can supply, then the National Reserve Association may loan them direct upon their own notes, provided such are endorsed by a local association. It thus can be plainly seen that the Aldrich Plan not only offers a large field for inflation, but for dangerous speculation as well.

Mr. Aldrich says that under his plan the banks of the country will be able to replenish their reserves indefinitely. Is this not equivalent to saying that the banks may expand their loans indefinitely? So long as the Reserve Association stands ready at all times to convert commercial paper into circulating notes which can be used by the banks to purchase more commercial papers, which in turn should be converted into circulating notes, and so on indefinitely, it would seem that there would be little check on inflation except such self-restraint as each individual bank might be able to exercise. As an illustration of what could be done with this plan in operation, let us say the Austin National Bank has $200,000 in gold in its vaults. Suppose this is deposited with the National Reserve Association, and credit is taken for it. Under the proposed law the Austin National Bank still counts this two hundred thousand dollars as reserve cash on hand. The Reserve Association also counts this gold as part of its reserve, upon which it issues two hundred thousand dollars worth of its own notes. Now let us suppose that the American National Bank is short in its reserves, and goes to the National Reserve Association with two hundred thousand dollars in commercial paper for discount. The Reserve Association pays for this paper with its own notes, which are secured by the same funds that count as legal reserve for the Austin National Bank. Thus the two hundred thousand dollars in gold which now counts as reserve for the Austin National Bank, would under the proposed plan count as cash reserve in three places. First, it would count as full reserve against eight hundred thousand dollars of deposits in the Austin National Bank; second, as full reserve against two hundred thousand dollars of notes and two hundred thousand dollars of deposits in the National Reserve Association; and third, as full reserve against eight hundred thousand dollars of deposits in the American National Bank. In other words, the same two hundred thousand dollars which to-day acts as reserve for eight hundred thousand dollars of deposits, would under the reform system serve as reserve against two millions of liabilities of three different concerns.

Assuming that the plan were in operation, and that all the banks of the country that are now eligible became members of the Association, they would at once have the right to borrow from the Association six thousand millions of dollars, and in addition to this would have the power to accept the paper of business concerns to the amount of two thousand millions of dollars. Bear in mind that this sudden addition to the powers of credit expansion is not

intended only for emergency, but as a function to be exercised by the Association under normal conditions, and in the course of everyday business. Whenever, in the opinion of the managers of the Reserve Association, the public interests so require, in addition to the above powers set forth, the Association may discount the direct obligations of the subscribing banks. To this there is no limit whatsoever.

One of the leading arguments that has been advanced in favor of the Aldrich Plan is that it will create a stable and uniform market for discounting commercial paper. Section 30 of the Bill provides for a uniform rate of discount throughout the United States. Without any argument we readily see that this provision is unjust, for it would compel the small country banks with small resources to compete on the same plane with the large city banks which have almost unlimited resources. This would literally force the smaller banks out of business. Again, our friends of the affirmative fail to consider that the best paper handled by a majority of our banks to-day is not included in what the Aldrich Plan contemplates as commercial paper. It has been estimated that hardly one-tenth of the total loans and discounts of the banks of Texas to-day will be acceptable to the National Reserve Association for collateral. Any reliable banker in Texas will tell you that the bulk of the loans made by the banks of the State to-day on commercial transactions, particularly the smaller country banks, are long time loans, ranging from eight to twelve months in duration. We can readily see that the twenty-eight-day discounting privilege of the Association, or even the four months' privilege, would be of little benefit to the local banks in making loans necessary each year to the farmers for producing, harvesting and marketing cotton, grain, sugar and other agricultural products. These processes usually require from six to nine months time, and for this reason, if no other, the smaller banks of the country prefer the longer time loans. The only banks that would benefit by the discounting privileges of the National Reserve Association would be the large banks in the two or three money centers of the country. As I have shown you most of the loans of these banks are on stocks and bonds, and the short time discounting privileges of the Association furnishes them an adequate means to further their speculation in these securities.

We have heard much the past few years about the shortcomings of our present banking system in the United States, and some have gone so far as to agree with Andrew Carnegie that it is the worst system in the world. But when we learn that the systems in other

countries are faulty also, and have just as many panics as we have, and when we remember that this country has had unparalleled prosperity under the existing system—even a fair degree of prosperity came to Andrew Carnegie himself—we should hesitate for a long time before giving approval to any new untried scheme that is as revolutionary in character as is the Aldrich Plan. We do not contend that the present system is absolutely infallible, and we admit that its growth and career has been irregular and unsystematic. But it has gained much from actual experience, and it now represents an almost perfect adaption to the conditions under which it exists. The living organism is now in evidence, and whatever it has done in the way of reform should be in the direction of improving and strengthening this system, not destroying it. The people of America under no conditions will consent to a banking plan that will completely undermine our present independent and decentralized system that has played a most important part in the upbuilding and development of the nation. The burden of proof is upon those of the affirmative. There devolves upon them the obligation not only of proving that their proposed plan will satisfactory remedy all the evils in the existing banking system, but also of showing beyond a reasonable doubt that the objections to their plan as set forth by the negative, are totally unfounded.

SECOND AFFIRMATIVE SPEECH.

BY SYLVAN LANG, OF SAN ANTONIO, TEXAS.

Mr. Chairman, Board of Judges, Ladies and Gentlemen:

My colleague has already explained to you the evils existing to-day in our monetary system, the plan for a National Reserve Association, and how this plan when applied to our modern conditions, satisfactorily meets all our needs. But it does more than this, for in it there are safeguards and provisions which will prevent its misuse and which render ridiculous all attempts of the opponents of the plan to criticize it.

Standing out as one of the preëminent evils of the present system, both in the opinions of such experts as Dr. Seligman of Columbia and Dr. Scott of Wisconsin, and appearing from the recent hearings of the Money Trust Investigation Commission, is the fact that the money of the country centers at all times in New York City, for as the banks must keep part of their funds in liquid form, and as they can get 2 per cent in New York on call loans, while if the money were kept at home, it would either lie idle or else be

converted into dead assets by being invested in commercial paper, the banks naturally send their surplus funds to New York. Out of this condition arises the difficulty of financing our crops annually, as was illustrated last fall, and the strange spectacle as in 1907, that when our country is most prosperous, and our crops the largest even then a panic is quite likely to result from the competition between the farmers who need this money to move their crops and the Wall Street speculators who are using this money, combining to drive up unreasonably the interest rates on our limited, inelastic money supply. It is this condition which any plan for monetary reform must rectify, and a question raised by some persons is whether the plan we propose will perform this function. However, when we look at the conditions which draw the money to New York, we shall see how this plan strikes at the root of and will eradicate this evil.

Our present system requires that all banks keep a reserve against deposits. Small country banks must maintain a reserve of 15 per cent—9 per cent of which they may send to reserve and central reserve cities to receive interest upon and can still count it as a part of their reserve. The reserve city banks, as in Galveston and Dallas, must maintain a reserve of 25 per cent against deposits, 12½ per cent of which they may send to the three central reserve cities—New York, Chicago, or St. Louis, and can still count it as part of their reserve. Though these banks may send the major portion of their reserves to one of the three central reserve cities, they must keep it in such form that they can get it at any time to meet a demand in any particular locality. Therefore their correspondent banks must of necessity make call loans for them, as otherwise, the money could not be easily secured, and the reserve would not be maintained in a liquid form. New York is our only big city where extensive loans of this nature are made, and the banks to receive the 2 per cent call money rate which they can secure by sending their money to New York, continually send part of their reserves there, thus furnishing cheap money for speculation and Wall Street purposes, which every few years is bound to culminate in an over-extension of credits and consequent panic, and making it extremely difficult to secure this money throughout the country when actually needed for crop-moving purposes. The fact that the average deposits of country banks in New York institutions is $600,000,000.00 and that on November 1, 1912, only last fall, these banks had upwards of $723,000,000.00 in New York when the money was badly needed

over the whole nation, amply proves the seriousness of this situation.

To rectify this evil we point out to our opponents Sections 26, 27, and 28 of the plan by which it is provided that all banks which are members of the Association may rediscount 28 days and 4 months paper and also 90-day acceptances and that by turning over this note to the Central Association the local bank receives an amount of bank notes equivalent to the amount of the loan, which amount the bank turns over to its customers. In other words, there will no longer be a necessity for these banks to send their money to New York and loan it out at 2 per cent in order to obtain ready money, for they can secure the cash they need at any time by simply rediscounting all good commercial paper at 6 per cent. How would any common sense individual or institution conduct himself or itself under such circumstances? When in place of their only being able to keep part of their reserve in liquid form and profiting from it by loaning it out in New York at 2 per cent on call loans, they can always secure cash for their reserve by rediscounting good commercial paper at 6 per cent, will they not keep their money at home where needed, where it will not drift into Wall Street and aid in promoting panics, where it can be loaned out for legitimate crop-moving purposes at a higher and more profitable rate than was secured for the same money when used for call loans, and where it can thus, with the greatest elasticity, expand and contract according to legitimate business needs, and thus prove to be a satisfactory method of relieving the stringency at those two most essential periods—during threatened panics and for the annual crop-moving demands?

Thus we see that by the adoption of this plan the money of the country will not center into New York to such an extent as it does to-day, and therefore, that all criticisms of the plan in this respect are unjustified. Among all of the arguments and objections which have been brought forward against this plan, there are three which stand out prominently. First, that this currency will not contract after once being issued; second, that this is just a scheme of Wall Street to gain control; and, third, that the big banks will dominate the Association to the detriment of the small banks.

In answer to their first objection, we point out four provisions which will force contraction and there prevent inflation:

Firstly, these bank notes cannot become inflated, since they will be merely coterminous with the business to which they relate. These notes are to be issued on 28 days or four months paper which is sufficient in length for crop-moving purposes. So, if an orange

grower in California, or a cotton raiser in Texas wishes to borrow money to move his cotton, he will go to his local bank, give them his note, and receive a credit account for this amount to draw upon. This note the bank sends to the local Association which transmits it to the Central Association, which then orders that amount of bank notes equivalent to the amount of the loan be turned over to the local bank which the bank gives to this farmer. After the farmer no longer needs this loan, he goes to his bank, returns the money, and pays off his note. The money is then sent by the local bank to the Association which returns the note it held as security, and thereby, the currency, having thus been returned to the association, has automatically contracted, as it will contract after the need for it has passed.

Secondly. The law of supply and demand would force contraction. It is an economic principle that the price of any commodity is governed by the amount of that commodity and the demand for it. So, the price of money, that is, the interest rate on money, is governed by the money available for loans, and the bankers will therefore promptly retire the currency when not needed, for they have no desire to see the interest rate lowered by keeping this money in circulation when not actually required.

The third provision which will force contraction in the requirement by Section 41, that a reserve of 50 per cent of the notes and deposits be maintained, or a heavy tax paid in lieu thereof, so that if the reserve fell to 40 per cent there would be a 6 per cent tax on these notes, which would force them to contract. The additional provision that under no circumstances can the reserves fall below 33 per cent and the fact that all bank notes in circulation will bear interest at 1½ per cent from 900 to 1,200,000,000 and 5 per cent above that amount are additional safeguards to prevent inflation.

And, fourthly, we point out that by Section 26 these rediscounts are restricted to commercial paper, and as we shall continue to have our National and State Bank Examiners and our five reports annually from the National Banks, besides additional monthly reports by the Association as to its condition, and a weekly report to the Comptroller of the Currency, the banks will not dare to make loans on speculative securities, which they are not prevented from loaning on under the present laws. And as I have shown that this plan possesses every possible means for a speedy contraction of these bank notes when not needed, yet, at the same time, not raising so many restrictions as to make it next to impossible to issue

them and secure the benefits therefrom, and as these rediscounts are restricted to commercial paper, any expansion which is based on these legitimate business demands can not possibly result in inflation.

The second chief objection to the plan is that Wall Street will gain control of the Association. Control of the Association can be secured in two ways. Firstly, by controlling the forty-six directors of the National Association. Thirty of these will be elected from the fifteen branches into which the country is divided, that is, two from each branch. Now, only fourteen of these directors will come from the seven districts in the New England, Eastern and Middle Western States, while sixteen will be elected from the eight districts in the Southern and Western States, and that these sixteen will be Wall Street men even our opponents will not attempt to assert. Nine of the forty-six directors will be elected by the various banks of this country, voting in proportion to their stock capitalization. Then, say your opponents, Wall Street with all its capital will surely elect these nine, and thus gain the ascendency in the Association. But the combined capital of the banks in the three central reserve cities and also of the banks in every one of the reserve cities in this country amounts to only $425,000,000, while the capital of our country banks amounts to $577,000,000, or one-third again as much. And it will lie within the power of these small country banks, with their tremendous stock majority, to elect these nine directors. That these sixteen directors from the South and West and the nine from the country banks, make a total of twenty-five; or a majority of the board of forty-six even the mathematics of our opponents cannot overcome. But this is not all. The remaining seven members of the Board consists of the Secretaries of the Treasury, Agriculture, and Commerce and Labor, the Comptroller of the Currency, the Governor and his two Deputies. Do our opponents claim that these men, directly in the public eye, will attempt to serve Wall Street? If not, we must place them with the other twenty-five, making a total of thirty-two, or more than double the fourteen directors which Wall Street might possibly, but not probably gain control over, and definitely proving that Wall Street will not be able to control the Association in this manner.

But there is yet a second method pointed out by President Schurman of Cornell, through which control of the Association will be retained by the local banks, and not by Wall Street. We have seen how the National Directors are elected. Now the directors of the Branch Associations who elect the thirty National Directors are chosen as follows: one-half are elected from the local Associa-

tions without regard to stock ownership; one-third are elected according to the number of shares of the National Association held by the local Association, and the remaining one-sixth are to be elected by these others, and shall represent the agricultural and industrial interests. The directors of the local Associations who elect the directors of the branch Associations are chosen by the local banks, three-fifths of the directors being elected by the banks regardless of the respective capitalization, while the other two-fifths are elected according to the number of shares which these banks hold in the National Association. So we see that throughout the entire plan, the small local banks are given the power of electing a majority of the directors of each association. Thus the directorate of the National Association rests ultimately with the local banks, or as President Schurman aptly puts teh situation: "That just as in our Federal Government the localities elect members of Congress and vote for president in proportion to their population, so also while the Aldrich scheme provides for certain centralized banking functions which are essentially National and vests them in the National Reserve Association which is superimposed upon our existing banks without impairing their independence, the control of the National Reserve Association itself is in the hands of directors elected by the vote of the localities, their electorate being ultimately the local banks."

Now, who controls the local banks? Are not the farmers and ranch owners the chief stockholders of the country banks, and are not the manufacturers, storekeepers and lawyers the chief stockholders of the city banks? Do they not elect the officers and directors of these banks, and will it not also lie within their province to elect the representative from their bank to the local association, these local associations to elect the directors of the branch Associations and the branch Associations to elect the National Directors? To be sure, it is a representative and not a direct vote, but it is, nevertheless, these prosperous farmers and solid business men who will be at the base of this system, and it will be within their power and not within the power of Wall Street to elect the officers who are to administer affairs.

The third chief objection raised by the opponents of this plan is that the big banks will control the smaller institutions. The recent hearing before the Money Trust Investigation Commission shows how the big banks in New York, through interlocking directorates and the vast amount of cash which the country banks to-day keep with them, are able to exirt a vast influence over them. We point

out that under this Aldrich Plan the small banks will no longer be under the control of the large New York institutions, for they will no longer be dependent upon them. To-day the country banks send their surplus funds and part of their reserve to New York in order to always be able to secure ready money and to receive the 2 per cent interest upon them. But under the plan for a National Reserve Association there will be no need of this, for as these country banks can rediscount commercial paper at 6 per cent and always secure currency when needed, there will be no necessity for their sending their funds to New York banks, they will cease doing so, and naturally will no longer be dependent upon them. Not alone will these small banks cease to be dependent on the big banks, but the big banks will no longer be under the same necessity of controlling state banks and trust companies. The reason we find such control is because big national banks need some medium through which to loan on real estate security and carry on a satisfactory savings bank business, which they can not to-day, but which the Aldrich Plan provides for, in that under it they can make limited loans on real estate and liberal provisions are made whereby they can conduct an efficient savings bank department.

But besides the small banks no longer being dependent on the big ones, and besides there not being the same necessity to-day for the large national banks to control state banks and trust companies, even if the big banks wished such control they would not attempt to secure it, for by Section 7 it is provided that if 40 per cent of the capital stock of any subscribing bank is owned directly or indirectly by any other subscribing bank, person, or corporation, then neither bank can vote at all upon their stock capitalization, and these banks, acting together, can only have one vote for the election of directors to the local Association.

Considering that only by voting in this Association can a member protect its interests, and considering that if banks, even indirectly, own 40 per cent of the stock of other banks, all of these banks lose absolutely their right to vote at all according to their stock capitalization, and only retain the power of collectively casting one vote for the directors of the local Association, and considering further, that besides this penalty, there will under this Aldrich Plan be no incentive for the big banks to control state banks and trust companies and that the smaller banks will no longer be dependent on the large banks, and also that the Association can never pay more than 5 per cent dividends on its stock—considering all these facts, no reasonable person can possibly fear that under this

plan the big banks will be able to, or will desire to, control the smaller banks of the Association.

Honorable Judges, the Aldrich Plan is now before you. We have shown you how the present defects are remedied and how coöperation between the banks, mobilization of reserve and elasticity in the currency and credit facilities can be secured; how the funds of the country will be kept where needed and will no longer drift to Wall Street, where they can not be secured readily for crop-moving purposes, but remain to aid in creating panics; how the claims of the opponents of this plan, that contraction will not take place, that Wall Street will control the Association, and that the big banks will dominate the smaller ones, is totally unfounded and can not possibly occur. And lastly, we point out Section 58, which reserves to Congress, the direct representative of the people, the right to alter or amend the provisions of this act every ten years. We do not flaunt the stars and stripes and ask you heedlessly to adopt this plan, but looking at it from a common-sense business standpoint it appears admirably suited to meet the annual crop-moving demands and to remedy the other defects of the present system, while retaining an elasticity of currency and structure which will provide a satisfactory method of preventing any threatened panics, and of solving other financial problems which we are bound to encounter in the future development of this Nation.

SECOND NEGATIVE SPEECH.

BY WINFREE W. MEECHAM, JR., OF ANDERSON, TEXAS.

Mr. Chairman, Ladies and Gentlemen:

With the steady recurrence of panics, it has become self-evident that there are certain inherent defects in the present banking and currency system, which must be remedied. But the remedy proposed must be one which does not increase, but eradicates the evils —one which must be beyond the danger of control by the monied power of Wall Street. The gentlemen of the affirmative submit as their plan for a desirable remedy for the admitted evils of inelasticity, and the lack of a proper discount market, the plan of a National Reserve Association. This Association is to be governed by an Executive Committee of nine men, and is to have absolute control over the reserves of the banks of the country. It also has the power to make loans, issue notes, and discount commercial paper—in short, it is to be the main unit in the chain of banks.

My colleague has clearly demonstrated to you that the proposed scheme is an undesirable remedy, because it absolutely fails to provide an edequate discount market, and, further, that it does not eradicate the evil of inelasticity, but tends to increase it. And when we consider that the Association is to be the unit of centralization, and the basis of every commercial and financial transaction. the question naturally arises: Who will control this Association? In a recent address, Mr. Aldrich said: "I realize as fully as any man can, that no plan where there is the slightest possibility that Wall Street or any other clique or combination can control, can or should be adopted."

We of the negative, therefore, insist, third, that the plan is an undesirable remedy, because, despite the ingenious argument of the preceding speaker, there is a practical certainty that Wall Street can and will control the Association. Section 9 of the bill provides that the Association is to be operated under the control of forty-six directors, three of whom are to be elected by the other forty-three, while the Governor is to be appointed by the President from three names submitted to him by the Board of Directors. If Wall Street can secure twenty-three of the forty-three directors. giving them a majority, it can control this unit of the chain of banks, and dominate the finances of the Nation. Now, mind you, nine of these directors are elected by stock in the Association. Wall Street and its interests are certain to control these nine directors, because the great majority of the stock, which is the basis of their election, is controlled by its interests in the East. But the Eastern and New England States control six directors, and 43 per cent of the capital, while the States of the Middle West control eight directors, and 27 per cent of the capital. By combining these two, we get a total of fourteen directors elected and controlled by the monied interests of Wall Street, with a total capital of 70 per cent. Combining these fourteen directors, controlled by the monied interests of Wall Street, with the nine directors elected by them on the basis of stock, we get a majority of twenty-three directors. Consequently, these twenty-three directors will control the election of the Executive Committee, and will dominate the Association for the specific purpose of using it for their own iniquitous purposes and benefits.

But the supporters of this plan urge and contend that the control of the Association will be in the power of the smaller individual banks, because of their combined capital. Now, two-fifths of the local directors are elected by the share votes of the individual banks,

and, in turn, the individual banks of a district are dependent upon the Central Association of that district for their reserves. Under the present system, however, Wall Street controls over 30 per cent of the capital stock of the smaller banks, and it is certain that it will not relinquish this control when it enters the Association. Thus, many of the Central Associations will be controlled by Wall Street from their inception, thereby making the combining of the smaller individual banks an utter impossibility, for they must depend upon the Central Associations for their reserves.

Now, let us note the danger of control in the District Associations. The banks of the local Associations are dependent in the matter of reserves and quick cash demands upon the monied powers of St. Louis, Chicago, and New York. One-half of the branch directors are to be elected by capital stock, and one-half by stock representatives chosen by the local Association directors. But in each district, there will be a number of large banks controlling more capital than the smaller banks combined. These banks will dominate the local Association, and, will, in turn, be dominated by the monied power. Thus the election of branch directors will, in fact, be dominated by the large banks, and the smaller banks must submit to the directors so elected. The gentlemen propose to give the small banks a pretense of power and representation, but, in fact, a pretense only; for the larger banks of the district will control. Thus, the gentlemen of the affirmative find themselves in this predicament: "If Wall Street and its great interests refuse to come into this Association, there being no way to compel them, it will fail for it can never exist." No! the danger which Mr. Aldrich fears is there. The plan will be dominated by the monied power of Wall Street in its local, District, and National Associations, thereby rendering the plan vicious and undesirable, and it should be rejected.

But aside from the danger of control by Wall Street, there is another objection which renders the plan undesirable. We refer to the fact that, if the plan is adopted, it will be a centralized monied monopoly. It means the centralization of our vast banking and currency power in the hands of a few men. At the head of the entire system stands the Executive Committee of nine men. This committee of nine exercises the powers of the Reserve Board, and it is to be the real head of the system. And what are the centralized powers of these men? They have the power to make the by-laws of the Reserve Association; they make the by-laws of the Local Associations; they have the power to make the by-laws of the

branch Associations—in short, these nine men alone are to determine the policy of the entire banking system of the United States.

Furthermore, these nine men have the power to expel any bank from the Association, although that bank may not voluntarily withdraw from the Association. These nine men may create new districts at will, and they have the power to change the boundaries of the old districts whenever they see fit. We submit that this is a power which should be exercised by those in the local associations, for they will naturally exercise more care and better judgment than nine men located at Washington. Thus, all the power of this Executive Committee of nine men reeks with the carefully concealed idea of centralization—centralization to be exercised for their own satisfaction, and for the satisfaction of the interests which they will represent.

But let us notice what other centralized powers these nine men may exercise. The rate of discount should follow the law of supply and demand, but these men have the power to raise the discount rate, and to lower it in any community, district, or state, whenever it suits them to do so. Thus, they have the power to raise the rate of discount to 5 per cent in the Knoxville district, when, under the law of business demand, it should be three. Then again, they have the power to lower the discount rate in the Memphis district to 3 per cent, when by the law of supply and demand it should be 5 per cent. We urge that it is impractical to place in the hands of nine men, the power to make a uniform rate of discount, when the economic and business conditions of this country are so variable and so different.

Another aspect of this iniquitous centralization in the hands of nine men, is found in the relation of the smaller banks to the larger banks. Under this scheme, the larger banks are certain to dominate the smaller banks, because they will be dependent upon the larger banks for their reserves. Thus bank "A," having a capital of $150,000,000, has been acting as the reserve agent of bank "B," with a capital of $25,000. These two banks fall within the same District Association, and it is but natural and logical to expect that bank "B," being dependent upon bank "A" for its reserves, will be dictated to by bank "A," when it comes to the selection of the directors, instead of acting independently.

Turning now from these considerations of this centralized monopoly, for whose benefit is this centralized Association, under the control of nine men, to be brought into existence? Is it for the benefit of the people of the whole nation? Is it for the benefit

of every class of business? Or rather is it to be adopted for the benefit of one particular class, and that class the banking fraternity? An investigation of the provisions of the bill will show. The one fact that stands out most prominently is that the National Reserve Association is to be controlled almost entirely by the banking community. Upon investigation, we find that all the directors of the local associations will be elected by bankers, and will be bankers. Five-sixths of the directors of the branch associations will be bankers and will be elected by bankers. Coming to the Central Association, which will be the dominant body, we observe a control by the banking community. Fifteen of the forty-five directors of the National Reserve Association are to be elected, one each, by the boards of the fifteen branch associations; but these branch boards are to be elected by bankers, and five-sixths of the membership of each board consists of bankers. Following this process through each election, we find that a total of forty-two of the directors of this Association are elected by bankers, and will be bankers. Is it true, then, that this Association is to be a benefit, controlled by nine men, of, for, and by the bankers? Is it wise to turn the whole financial system of this country into the hands of bankers, especially when they are so closely allied?

We must bear in mind that any change of the present banking system must be for the good of the public as a whole. We must realize that the public deposits of this Association alone will exceed its paid up capital; that the funds which the banks deposit with the Association will be but the funds deposited with the banks by the public, and that the paper which the banks rediscount with it will be that of the business community. We must not forget that the National Reserve Association is to have a tremendous public power and responsibility, through its right to fix the bank rate of discount; its power over the foreign exchanges and shipments of gold; its rights to issue the country's only elastic paper currency; its control over banks and its functions of holding a large percentage of the country's reserve money. Here, then, is to be created a vast centralized power, dominated and controlled by nine men, to work its weal or woe upon the business interests of this country. We demand to know, is it wise to place this power in the hands of one class, to be operated for that class's benefit, beyond the pale of control by the people at large? Would we turn over the entire finances of this country to the lawyers, if they were as vitally interested in them as the bankers will be? No! This is a centralized monied monopoly for the benefit of the bankers and the bankers

alone—a monopoly which has the power of life or death over the business interests of every community—a monopoly which may wield its too great influence in politics, to secure privileged legislation—a monopoly which may laugh at the threats of those who created it. Such a power should not be given the right to control the finances of this country.

Honorable Judges, we of the negative have shown you that the plan cannot remedy the inelasticity of the present system, but rather that it tends to increase it; and second, that it absolutely fails to provide an adequate discount market. Furthermore, the danger of Wall Street controlling the Association is too distinct to be denied, while the powers of such a centralized financial monopoly are too great to be exercised by nine men. In short, the gentlemen of the affirmative seek elasticity, and the direct result of their efforts is increased inflation; they plead for coöperation of all the banks for the benefit of each, and they get private centralization—centralization which binds together, in one solid phalanx, every bank, every commercial, financial, and political interest—centralization which takes from the government the right to amend for ten years, and subjects to the danger of control every individual's interest in the United States for a term of fifty years. For these reasons, we submit that the plan is un-American, and is not to be desired.

BIBLIOGRAPHY.

Affirmative References.

Laughlin's Banking Reform. No. Amer. Rev., vol. 188, pp. 212-25; vol. 193, pp. 539-50. Independent, Feb. 29, March 14, 28, 1912; vol. 72, p. 665. Nation, vol. 76, p. 184; vol. 92, p. 73. Everybody's, March, 1912. Forum, vol. 45, pp. 539-47. Cur. Lit., Feb. 12, 1912. Outlook, vol. 88, pp. 106, 149-50, 340-1, 676-7. Lit. Digest, Nov. 14, 1911, Jan. 20, 1912, Q. J. Econ., vol. 20, p. 135. Pamphlet. "A National Reserve Association and the Cotton Movement." Banking Reform Series, No. 5. Pamphlets issued by National Citizens' League for the Promotion of a Sound Banking System, Chicago, Ill. Congressional Record and periodicals for June-October, 1913.

Negative References.

W. R. Hambey, "The Aldrich Plan: A Review of Its Powers and Functions." No. Amer. Rev., March, 1912, pp. 310-18. Jour. Pol. Econ., vol. 16, pp. 94-7; vol. 20, pp. 25, 41. Independent,

vol. 64, pp. 427-8, 1101-2; vol. 72, pp. 555-58. Nation., vol. 36, pp. 164-5; vol. 89, pp. 450-5. Banking Reform, March 16, 1912. Cur. Lit., vol. 50, pp. 584-6. House Documents, No. 291, 62nd Congress. Everybody's, April, 1912. Moody's Mag., March, April, May, 1912. Speeches by Senator LaFollette, March, 1908. Congressional Record and periodicals for June-October, 1913.

THE UNIVERSITY OF TEXAS

DEPARTMENT OF EXTENSION

(CONTINUED FROM PAGE TWO INSIDE COVER.)

PUBLIC WELFARE DIVISION.

It is the purpose of this Division to collect data regarding economic conditions in the State and to furnish the same to citizens of Texas through exhibits of photographs, charts, diagrams, statistics, etc., supplemented by illustrated lectures and printed bulletins.

THE DIVISION OF INFORMATION AND EXHIBITS.

The Division of Information and Exhibits has charge of the various educational exhibits sent out by the University to fairs and other large gatherings, for the purpose of calling the attention of the people to some of the crying needs of Texas and pointing out the most intelligent method of meeting these needs.

CORRESPONDENCE DIVISION.

The University of Texas now offers for home study correspondence courses in the following subjects of college grades: Botany, Civil Engineering, Drawing, Economics, Education, Electrical Engineering, English, French, Geology, German, Government, Greek, History, Latin, Law, Mathematics, Mining Engineering, Philosophy, Public Speaking, Spanish, and Zoology.

The following correspondence courses preparatory to Teachers' Certificates are also offered: Algebra, Bookkeeping, Chemistry, Geometry (Plane and Solid), History of Education, History (General), Literature, Physics, Psychology, and Trigonometry.

Programs and courses of study for clubs or other associations are also offered. Correspondence is invited.

For complete catalog of the Department of Extension, address *Director of the Department of Extension, University, Austin.* Inquiries relating to a particular Division should be addressed to the Head of that Division.